

Kothmale Pradeshiya Sabha

Nuwara Eliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 15 June 2016.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kothmale Pradeshiya Sabha at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-reconciled Control Accounts

There was non-reconciliation in a sum of Rs.813,897 between the total of balances amounting to Rs.8,627,699 relevant to 03 items of accounts shown in the financial statements and the balances amounting to Rs.7,813,802 shown in the relevant subsidiary registers.

1.3.3 Accounts Receivable and Accounts Payable

(a) Accounts Receivable

While the total of 02 Accounts Receivable balances amounted to Rs.22,182,516, out of that the total of account balances that had elapsed a period of one year had been Rs.836,042.

(b) Accounts Payable

While the total of 02 Accounts Payable balances amounted to Rs.14,428,688, out of that the total of account balances that had elapsed a period of one year had been Rs.2,834,681.

1.3.3 Lack of Evidence for Audit

Land and Buildings valued at Rs.50,957,068 could not be satisfactorily vouched or verified in audit due to non-submission of title deeds and plans.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs. 10,434,742 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 2,182,728. While an improvement of Rs. 8,252,014 was seen when compared with the preceding year, it was mainly due to increase of revenue in 03 revenue items and decrease of expenditure in 02 expenditure items.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information as furnished by Secretary relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

Item of Revenue	Arrears as at 31.12.2015						
	Arrears as at 01.01.2015 as at 31.12.2015	Recoveries out of arrears the year during 2015	Billings during the year	Recoveries out of billings 01.01.2015	Out of arrears as at billings for the year	Out of arrears	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	1,005,153	576,325	3,464,093	3,001,952	428,828	462,141	890,969
Trade Licenses	--	--	2,418,850	2,418,850	--	--	--
Rent	121,910	36,000	2,408,860	2,408,584	85,910	276	86,186
Others	404,115	291,450	1,747,147	1,552,597	112,665	194,550	307,215

2.2.2 License Fees

Action in terms of Rules 59 to 66 of Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988 had not been taken to include the names of the business entities in the Register of License Fees by the Sabha, through a proper survey conducted at the beginning of each year and recover fees accordingly.

2.2.3 Advertisements Boards Charges

A sum of Rs.549,480 outstanding to be recovered for 111 advertisements boards displayed in the area of authority of the Kothmale Pradeshiya Sabha in terms of powers vested in Section 122(1) of the Pradeshiya Sabha Act No. 15 of 1987 and provisions in Standard By-laws published in the Extra Ordinary Gazette No. 520/7 dated 23 August 1988 had not been recovered even as at 31 December 2015.

2.2.4 Court Fines and Stamp Fees

Stamp Fees amounting to Rs.3,783,640 and Court Fines amounting to Rs.1,564,456 were receivable as at 31 December 2015.

2.2.5 Surcharges

A sum of Rs.67,865 was outstanding to be recovered as at 31 December 2015, according to the surcharges imposed by me against the persons responsible, in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987.

3. Operational Review

3.1 Performance Evaluation

It was not possible to compare the physical and financial performance through the Administrative Reports prepared, in order to ensure the achievement of objectives according to the Annual Action Plan.

3.2 Management Inefficiencies

At sample audit checks it was revealed that any course of action had not been taken with regard to unauthorized constructions carried out in the area of authority of the Sabha.

3.3 Operational Inefficiencies

- (a) While provision had not been received for distribution of roofing sheets under Provincial Council Members Provisions during the year 2014, an expenditure amounting to Rs.153,612 had been incurred for that.
- (b) Two Water Tanks of 1000 liters capacity, a Water Tank of 500 liters capacity and 13 Chairs provided for Medakumbura Estate received under 2014 Members Grants had been kept in the stores without being distributed.

3.4 Contracts Administration

Although a provision of Rs.6,000,000 had been made available to the Pradeshiya Sabha for the year 2015 under the National Program for Pradeshiya Sabha Strengthening according to the Circular No.

2015/01 of the Ministry of Public Administration, Local Government and Provincial Councils, development work amounting to Rs.2,128,630 only had been carried out as at 31 December 2014.

4. Accountability and Good Governance

4.1 Internal Audit

An Adequate Internal Audit had not been carried out in the establishment, in terms of Financial Regulation 133 of the Republic of Sri Lanka and the Circular No. DMA/2009/01 dated 09 June 2009 of the Department of Management Audit.

4.2 Budgetary Control

- (a) According to the Budget prepared for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure, variations from 21 per cent to 99 per cent in 04 Items of revenue and variations from 21 per cent to 458 per cent in 07 items of expenditure were observed. Accordingly, it was observed that the Budget had not been made use of as an effective tool of management.

- (b) Budgeted and supplementary provisions had not been compared with actual and a statement explaining the reasons with regard to surpluses and excesses under each item of revenue and expenditure had not been prepared and submitted in terms of Rule 193 of the Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988.

4.3 Assets Management

4.3.1 Idle and Under-utilized Assets

- (a) Although the Weekly Fair Building situated in the Kothmale New Town had been covered with wild plants without being used for 07 years, any steps had not been taken to maintain that or to utilize for the expected objectives.

- (b) The Nissan Caravan Ambulance Vehicle bearing No. J.D.4866 had been parked in the office premises for more than 06 years since the year 2010 having withdrawn from running. However, action had not been taken to repair it or for disposal.

4.3.2 Annual Board of Survey

Action had not been taken to inspect the Lands and Buildings of the Sabha in terms of Rule 218 of the Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988.

5. Systems and Controls

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Special attention is needed in the following areas of systems and controls.

- (a) Accounting
- (b) Internal Control
- (c) Debtors and Creditors Control
- (d) Assets Management.